Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 247 (Delegate Rosenberg, *et al.)*
Health and Government Operations and Appropriations

Cigarette Restitution Fund - Required Appropriations

This bill prohibits Maryland Medical Assistance Program (Medicaid) appropriations from the Cigarette Restitution Fund (CRF) being counted toward the CRF requirement that at least 50% of all appropriations must be made for specific purposes. This reduces Medicaid appropriations to not more than 50% of total CRF revenues.

The bill is applicable to all fiscal years beginning with fiscal 2005.

Fiscal Summary

State Effect: General fund expenditures could increase by $51.4 million in FY 2005 to replace CRF expenditures that could not be allocated to Medicaid as a result of this bill. Future years assume a $30 million payment to the Law Offices of Peter Angelos as required by State settlement in fiscal 2005 and 2006. No effect on revenues.

($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	$0	$0	$0	$0	$0
GF Expenditure	0	51.4	51.4	36.4	36.4
Net Effect	$0	($51.4)	($51.4)	($36.4)	($36.4)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: CRF is a special, nonlapsing fund supported by revenue from a settlement with the five major tobacco companies. The fund supports: the Tobacco Use Prevention and Cessation Program; the Cancer Prevention, Education, Screening, and Treatment Program; and other programs that serve specified purposes. The other programs that may be supported by CRF: (1) the reduction of tobacco product use by minors; (2) tobacco crop conversion; (3) public and school education campaigns to decrease tobacco use; (4) smoking cessation programs; (5) enforcing tobacco sales laws; (6) the Maryland Health Care Foundation's purposes; (7) primary health care in rural areas and areas targeted by tobacco manufacturers; (8) prevention, treatment, and research concerning cancer, heart disease, lung disease, tobacco product use, and tobacco control; (9) substance abuse treatment and prevention programs; and (10) any other public purpose. At least 50% of CRF funds must be appropriated for one of these purposes.

The Budget Reconciliation and Financing Act (BRFA) of 2002 stipulated that any disbursement to the State as a result of the settlement of the contract dispute between the State and the Law Offices of Peter G. Angelos, P.C. would be credited to CRF. Approximately $93 million from an escrow account that was held up pending the contract dispute settlement was credited to the fund. BRFA required that $73 million would be used for the Medicaid program and $20 million would be used to increase the fund's appropriation for tobacco and cancer programs. In addition, BRFA requires that 25% of CRF appropriations must be directed to Medicaid through fiscal 2006.

Background: In fiscal 2004 through 2007, programs currently funded from CRF will need to be sustained with general funds to avoid reducing or eliminating programs. CRF-funded programs, including cancer and tobacco programs and Medicaid, are expected to be short $7 million for fiscal 2004, $57 million in fiscal 2005, $58 million in fiscal 2006, and $27 million in fiscal 2007. Further reductions may be necessary should revenues come in under expectations due to declines in domestic tobacco consumption, a possibility given the recent combination of smoking prevention activities and tobacco tax increases nationwide.

CRF expenditures for Medicaid currently can be counted toward meeting the CRF mandate that 50% of the funds must be used for certain purposes.

State Fiscal Effect: In fiscal 2004, Medicaid is slated to receive $106.6 million in CRF funds (58% of the total $183.7 million CRF budget allowance). In fiscal 2005 and beyond, the Department of Legislative Services (assumes that the CRF budget appropriation will be $150.5 million, with $30 million of this amount paid to the Law

Offices of Peter Angelos as required by State settlement in fiscal 2005 and 2006. As a result, total CRF funds available for State expenditures would be $120.5 million in fiscal 2005 and 2006, increasing to $150.5 million in fiscal 2007 and 2008.

Since Medicaid may not receive more than 50% of CRF funds in fiscal 2005 and beyond, Medicaid general fund expenditures would have to increase to replace CRF expenditures that could not be made for Medicaid. Medicaid general fund expenditures could increase by: $51.35 million in fiscal 2005; $51.35 million in fiscal 2006; $36.5 million in fiscal 2007; and $36.5 million in fiscal 2008.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Department of Legislative Services

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